

Actuarial Section

ACTUARY'S CERTIFICATION LETTER
66

SUMMARY OF ACTUARIAL
ASSUMPTIONS AND METHODS
68

RECONCILIATION OF CHANGES
IN UNFUNDED ACTUARIAL
ACCRUED LIABILITIES
71

SOLVENCY TEST
72

SCHEDULES OF ACTIVE
MEMBER VALUATION DATA
74

SCHEDULES OF RETIRANTS
AND BENEFICIARIES
75

PUBLIC EMPLOYEES' RETIREMENT FUND OF INDIANA

Actuary's Certification Letter



McCready and Keene, Inc.

7941 Castleway Drive

PO Box 50460

Indianapolis, Indiana 46250-0460

October 7, 2005

Indiana Public Employees' Retirement Fund
Board of Trustees
143 West Market Street, Suite 500
Indianapolis, IN 46204

Dear Members of the Board:

Certification of Actuarial Valuations

The actuarial data presented in this report describes the current actuarial condition of the defined benefit pension plans ("Plans") administered by the Indiana Public Employees' Retirement Fund ("PERF"). Valuations are prepared annually as of July 1 for all Plans except the 1977 Police Officers' and Firefighters' Pension and Disability Fund which is annually as of January 1.

Under PERF statutes, employer contribution rates are certified annually for each Plan by the Board of Trustees. These rates are determined actuarially, based on the Board's funding policy. Contribution rates for the PERF Plan as determined by a given actuarial valuation become effective eighteen months after the valuation date (12 months for state employees). For example, the rates determined by the July 1, 2004 actuarial valuation will be used by the Board when certifying the employer contribution rates for the year beginning Jan. 1, 2006 (or for the year beginning July 1, 2005 for state employees). If new legislation is enacted between the valuation date and the date the contribution rates become effective, the Board may adjust the recommended rates before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

General Comment for 2004

The July 1, 2004 PERF Actuarial Valuation is the third valuation of a 4-year phase-in of a new data reporting system that was adopted early in 2002. This new data reporting system collects salary information on a June 30 fiscal year basis (the prior data reporting system collected salary information on a calendar year basis) and also collects service data on a fiscal year basis (the prior system collected service data through the March 31 preceding the July 1 valuation date). The fiscal impact of this change in the data reporting system is being phased in over a 4-year period.

Funding Objectives and Funding Policy

In setting contribution rates, the Board's principal objectives have been:

- to set rates so that the unfunded actuarial accrued liability ("UAAL") will be amortized over a fixed period.
- to set rates so that they remain relatively level over time.

To accomplish this, the Board's funding policy requires that the employer contribution rate be equal to the sum of the employer normal cost rate (which pays the current year's cost) and an amortization rate which results in the amortization of the UAAL in equal installments. The Board has adopted smoothing rules to the determination of the employer contribution rate to reduce the variability of these rates.

No membership growth is anticipated in setting the contribution rate. This is consistent with GASB #25, which prohibits anticipating membership growth in determining the minimum Annual Required Contribution ("ARC").

Under this policy, the objectives of amortizing the UAAL and maintaining relatively level contribution rates over time are achieved.

Actuary's Certification Letter

Progress Toward Realization of Financing Objectives

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a Plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches 100 percent. The combined funded ratio for all Plans has decreased from the preceding year due primarily to a change in the actuarial assumption regarding COLAs.

Benefit Provisions

The benefit provisions reflected in this report are those which were in effect on each Plan's valuation date.

Assumptions and Methods

Actuarial assumptions and methods used in the valuation are set by the Board, based upon the recommendations of the actuary. The actuary reviews actual plan experience before making these recommendations. The last such review of actuarial assumptions was carried out in connection with the July 1, 2001 actuarial valuation for the PERF Plan and the Jan. 1, 2003 actuarial valuation for the 1977 Municipal Police and Fire pension plan.

Data

Member data for retired, active and inactive members was supplied as of each Plan's valuation date by IPSI, a data vendor for PERF. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. Asset information for each Plan was supplied by PERF and IPSI.

Certification

We certify that the information presented herein is accurate and fairly portrays the actuarial position of each Plan administered by PERF as of each Plan's 2004 valuation date.

We prepared the exhibits in the "Actuarial Section" which include Summary of Actuarial Assumptions and Methods, the Reconciliation of Changes in Unfunded Actuarial Accrued Liabilities, the Solvency Tests, the Schedules of Active Member Valuation Data, and the Schedules of Retirants and Beneficiaries. In addition, we prepared the Schedules of Funding Progress and Schedules of Employer Contributions in the "Financial Section."

All of our work conforms with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of Indiana state law and, where applicable, the Internal Revenue Code, Employee Retirement Income Security Act (ERISA) and the Statements of the Governmental Accounting Standards Board. We are each independent Enrolled Actuaries and Members of the American Academy of Actuaries and experienced in performing valuations for large public retirement systems.

If you have any questions or require additional information, please don't hesitate to contact us.

Sincerely,



Douglas Todd
A.S.A., M.A.A.A., E.A.
Senior Actuary



Richard E. Lenar
F.S.A., M.A.A.A., E.A.
Chief Actuary

PUBLIC EMPLOYEES' RETIREMENT FUND OF INDIANA

Summary of Actuarial Assumptions and Methods as of July 1, 2004

- Note 1: Prior to July 1, 2003, the COLA assumption was assumed to be 2 percent for the remaining lifetime of the benefit recipient. Effective July 1, 2003, the time period for the actuarial assumption for COLA was changed from the remaining lifetime of the benefit recipient to five years from the valuation date. This change was applied to Indiana PERF, Legislative Retirement Benefits, and the Excise Police and Conservation Enforcement Officers' Retirement Plan.
- Note 2: Effective July 1, 2004, the COLA assumption was assumed to be 0.5 percent for the remaining lifetime of the benefit recipient. This change was applied to Indiana PERF, Legislative Retirement Benefits and the Excise Police and Conservation Enforcement Officers' Retirement Plan. PERF plans to gradually increase the COLA over the next few years until the assumption reaches 1.5 percent for the remaining lifetime of the benefit recipient.
- Note 3: All systems are using the 1994 U.S. UP-94 (sex distinct) for post-retirement.
- Note 4: Actuarial funding method for all systems is Entry Age Normal Cost, except the Accrued Benefit (Unit Credit) funding method is used for the Legislators' Defined Benefit Plan. Actuarial experience gains and losses are amortized on a level dollar basis for all systems. The amortization period is closed for all systems except the 1977 Police Officers' and Firefighters' Pension and Disability Fund and the Prosecuting Attorneys Retirement Fund which have an open amortization period.
- Note 5: Actuarial asset valuation method is according to example (6) in IRS Regulation 1.412(c)(2)-1(b)(9) for all systems except PERF where valuation assets are equal to 75 percent of expected actuarial value plus 25 percent of market value.

Indiana Public Employees' Retirement Fund

July 1, 2004 Actuarial Valuation

Investment Return	Post-Ret. COLA	Salary Scale	Retirement Rates			Disability Rates			Termination Rates		
7.25 %	0.50 %	Based on PERF Exp., 1995-2000, Sample Rates:	Based on PERF Exp., 1995-2000, Sample Rates:			Based on PERF Exp., 1995-2000, Sample Rates:			Based on PERF Exp., 1995-2000, Sample Ultimate Rates:		
		Age Rate	Age	Male: Rate	Female: Rate	Age	Male: Rate	Female: Rate	Age	Male: Rate	Female: Rate
		25 16.0%	60	8.0%	12.0%	45	0.14%	0.09%	25	10.0%	10.0%
		35 7.67	62	32.0	26.0	50	0.25	0.16	30	10.0	10.0
		45 6.00	65	40.0	35.0	55	0.44	0.28	35	7.5	7.5
		60 4.94	70	30.0	30.0	60	0.78	0.49	45	3.0	5.0

1977 Police Officers' and Firefighters' Pension & Disability Fund

January 1, 2004 Actuarial Valuation

Investment Return	Post-Ret. COLA	Salary Scale	Retirement Rates		Disability Rates		Termination Rates	
7.25%	2.75%	4.00%	Based on Actuarial Exp. Study 1998-2002 Sample Rates:		150% of 1964 OASDI Sample Rates		Sarason T-1 Sample Rates	
			Ages	Male and Female	Age	Male and Female	Age	Male and Female
			50-51	10.0 %	40	0.33 %	30	3.7 %
			52-64	20.0	50	0.91	40	1.1
			65-69	50.0	60	2.44	50	0.0
			70+	100.0	64	3.48	55	0.0

2005 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Summary of Actuarial Assumptions and Methods as of July 1, 2004

Judges' Retirement System

July 1, 2004 Actuarial Valuation

Investment Return	Post-Ret. COLA	Salary Scale	Retirement Rates		Disability Rates		Termination Rates	
7.25 %	5.0% for 1977 System None for 1985 System	5.0 %	Based on Experience Sample Rates:		1964 OASDI Sample Rates		Sarason T-4 Sample Rates	
			Age	Male and Female	Age	Male and Female	Age	Male and Female
			62	25.0 %	40	0.2 %	30	5.1 %
			64	10.0	50	0.6	40	4.2
			65	25.0	60	1.6	50	2.5
			75	100.0	64	2.3	55	0.9

Legislators' Defined Benefit Plan

July 1, 2004 Actuarial Valuation

Investment Return	Post-Ret. COLA	Salary Scale	Retirement Rates		Disability Rates		Termination Rates	
7.25 %	0.5 %	3.0 %	Sample Rates:		75% of 1964 OASDI Sample Rates		Sarason T-2 Sample Rates	
			Age	Male and Female	Age	Male and Female	Age	Male and Female
			55	10.0 %	40	0.2 %	30	5.1 %
			58-61	2.0	50	0.5	40	3.5
			62-64	5.0	60	1.2	50	0.4
			65	50.0	64	1.7	55	0.0

Prosecuting Attorneys' Retirement Fund

July 1, 2004 Actuarial Valuation

Investment Return	Post-Ret. COLA	Salary Scale	Retirement Rates		Disability Rates		Termination Rates	
7.25 %	None	5.0 %	Later of (a) age 62, or (b) 10 years service		75% of 1964 OASDI Sample Rates		50% every 4 years	
					Age	Male and Female		
					40	0.2 %		
					50	0.5		
					60	1.2		
					64	1.7		

PUBLIC EMPLOYEES' RETIREMENT FUND OF INDIANA

Summary of Actuarial Assumptions and Methods as of July 1, 2004

Excise Police and Conservation Enforcement Officers' Retirement Plan

July 1, 2004 Actuarial Valuation

Investment Return	Post-Ret. COLA	Salary Scale	Retirement Rates	Disability Rates	Termination Rates
7.25 %	0.5 %	5.0 %	Based on Experience of current retirees Sample Rates	200% of United Auto Workers Sample Rates	Sarason T-6 Sample Rates
			Age Male and Female	Age Male Female	Age Male and Female
			50 3.0 %	40 0.1 % 0.2 %	30 7.4 %
			53 3.0	50 0.4 0.5	40 6.1
			56 6.0	60 1.8 2.4	50 3.6
			60 100.0	64 4.4 5.8	55 1.4

2005 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Reconciliation of Changes in Unfunded Actuarial Accrued Liabilities

(Dollars in Thousands)

System	July 1, 2003 Unfunded Actuarial Accrued Liability (UAAL)	Amort. Payments	Interest for Year	Liability (Gain) Loss	Asset (Gain) Loss	Change in Benefit Provisions or Assump.	July 1, 2005 UAAL
Public Employees' Retirement Fund	\$ (259,379)	\$ (19,926)	\$ (17,360)	\$ 141,461	\$ 89,025	\$ 16,704	\$ (9,623)
1977 Police Officers' and Firefighters' Pension and Disability Fund*	106,400	8,197	7,120	(103,370)	76,440	0	78,394
1977 and 1985 Judges' Retirement System	80,695	6,216	5,400	(10,821)	5,137	0	74,194
Legislators' Retirement System	748	69	49	(177)	214	(115)	651
Prosecuting Attorneys' Retirement Fund	2,927	226	196	5,099	(63)	0	7,934
Excise Police & Conservation Enforcement Officers' Retirement Plan	14,720	1,134	985	(5,473)	1,604	535	11,238

*Beginning Date of 1-1-2003 rather than 7-1-2003, and ending date of 1-1-2004 rather than 7-1-2004.

PUBLIC EMPLOYEES' RETIREMENT FUND OF INDIANA

Solvency Test

(Dollars in Thousands)

System	As of July 1	Actuarial Accrued Liabilities			
		(1) Active Member Contributions	(2) Retired and Beneficiaries	(3) Active Member (Employer Financed Portion)	(4) Total Actuarial Accrued Liabilities
Public Employees' Retirement Fund	1999	\$ 1,428,913	2,158,640	3,488,428	\$ 6,630,151
	2000	1,647,901	2,303,679	3,748,305	7,699,885
	2001#	1,728,972	2,426,062	4,150,638	8,305,672
	2002#	1,886,124	2,582,149	4,597,859	9,066,132
	2003#	1,971,864	2,764,974	4,297,735	9,034,573
	2004#	2,211,326	2,927,884	4,705,143	9,844,353
1977 Police Officers' and Firefighters' Pension and Disability Fund (As of 1-1 instead of 7-1)	1999	\$ 184,102	329,662	801,511	\$ 1,315,275
	2000	210,396	353,230	887,828	1,451,454
	2001	238,840	384,128	997,326	1,620,294
	2002	273,787	447,042	1,087,925	1,808,754
	2003#	307,929	457,766	1,001,150	1,766,846
	2004	344,775	452,755	1,077,988	1,875,518
1977 and 1985 Judges' Retirement System	1999	\$ 13,986	82,200	80,115	\$ 176,301
	2000	14,922	87,326	80,200	182,448
	2001	15,661	96,854	76,095	188,610
	2002	16,892	86,997	84,545	188,434
	2003#	12,595	111,781	82,470	206,846
	2004	18,415	105,922	85,655	209,992
Legislators' Defined Benefit Plan	1999	\$ 0	2,388	3,085	\$ 5,473
	2000	0	2,388	3,085	5,473
	2001	0	2,431	3,077	5,508
	2002	0	2,326	3,177	5,503
	2003#	0	2,278	2,670	4,948
	2004#	0	2,128	2,728	4,856
Prosecuting Attorneys' Retirement Fund	1999	\$ 5,928	1,879	5,905	\$ 13,712
	2000	7,033	2,040	4,869	13,943
	2001*	8,203	2,162	10,052	20,417
	2002	9,361	1,965	11,060	22,386
	2003#	9,489	2,084	4,113	15,685
	2004	12,237	2,419	7,932	22,588
Excise Police & Conservation Enforcement Officers' Retirement Plan	1999	\$ 2,690	13,451	27,227	\$ 43,368
	2000	2,863	14,689	28,720	46,272
	2001	3,026	17,116	31,882	52,024
	2002	3,102	18,770	34,012	55,884
	2003#	3,103	17,630	31,274	52,006
	2004#	3,613	17,788	28,608	50,010

Actuarial Assumptions and/or methods revised.

* Improvement in benefit provisions.

2005 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Solvency Test (continued)

System	Actuarial Value Of Assets	Portion of Actuarial Accrued Liabilities Covered by Assets			
		(1)	(2)	(3)	(4)
Public Employees' Retirement Fund	\$ 7,595,266	100.0%	100.0%	100.0%	107.3%
	8,267,657	100.0	100.0	100.0	107.4
	8,723,304	100.0	100.0	100.0	105.0
	8,994,854	100.0	100.0	98.4	99.2
	9,293,952	100.0	100.0	100.0	102.9
	9,853,976	100.0	100.0	100.0	100.1
1977 Police Officers' and Firefighters' Pension and Disability Fund*	\$ 1,184,905	100.0 %	100.0 %	83.7 %	90.1 %
	1,338,554	100.0	100.0	87.3	92.2
	1,491,030	100.0	100.0	87.0	92.0
	1,615,245	100.0	100.0	82.2	89.3
	1,660,445	100.0	100.0	89.4	94.0
	1,797,124	100.0	100.0	92.7	95.8
1977 and 1985 Judges' Retirement System	\$ 91,073	100.0 %	93.8 %	0.0 %	51.7 %
	103,733	100.0	100.0	1.9	56.9
	115,040	100.0	100.0	3.3	61.0
	121,155	100.0	100.0	20.4	64.3
	126,152	100.0	100.0	2.2	61.0
	135,798	100.0	100.0	13.4	64.7
Legislators' Defined Benefit Plan	\$ 4,319	NA	100.0 %	62.6 %	78.9 %
	4,557	NA	100.0	72.9	83.6
	4,666	NA	100.0	72.6	84.7
	4,446	NA	100.0	66.7	80.8
	4,200	NA	100.0	72.0	84.9
	4,206	NA	100.0	76.2	86.6
Prosecuting Attorneys' Retirement Fund	\$ 8,322	100.0 %	100.0 %	8.7 %	60.7 %
	9,781	100.0	100.0	14.5	70.2
	11,073	100.0	100.0	7.0	54.2
	11,957	100.0	100.0	5.7	53.4
	12,758	100.0	100.0	28.8	81.3
	14,655	100.0	99.9	0.0	64.9
Excise Police & Conservation Enforcement Officers' Retirement Plan	\$ 31,510	100.0 %	100.0 %	56.4 %	72.7 %
	34,368	100.0	100.0	58.6	74.3
	36,921	100.0	100.0	52.6	71.0
	37,360	100.0	100.0	45.5	66.9
	37,286	100.0	100.0	52.9	71.7
	38,772	100.0	100.0	60.7	77.5

PUBLIC EMPLOYEES' RETIREMENT FUND OF INDIANA

Schedules of Active Member Valuation Data

(Dollars in Thousands—except Average)

System	As of July 1	Active Members	Active Members		
			Annual Payroll	Average Pay	Percent Increase
Public Employees' Retirement Fund	1999	141,441	\$ 3,250,197	\$ 22,979	4.5%
	2000	146,613	3,482,453	23,753	3.4
	2001	145,019	3,587,080	24,735	4.1
	2002	143,234	3,851,761	26,891	8.7
	2003	143,082	4,038,680	28,226	5.0
	2004	142,913	4,214,390	29,489	4.5
1977 Police Officers' and Firefighters' Pension and Disability Fund	1999	9,228	\$ 321,348	\$ 34,823	3.4 %
	2000	9,729	352,377	36,219	4.0
	2001	10,388	389,200	37,466	3.4
	2002	10,179	396,246	38,928	3.9
	2003	10,737	432,954	40,324	3.6
	2004	11,238	469,750	41,800	3.7
1977 and 1985 Judges' Retirement System	1999	341	\$ 30,963	\$ 90,801	(0.2) %
	2000	336	30,428	90,560	(0.3)
	2001	328	29,748	90,695	0.1
	2002	282	25,805	91,507	0.9
	2003	278	25,400	91,367	(0.2)
	2004	275	25,693	93,431	2.3
Legislators' Defined Benefit Plan	1999	60	NA	NA	NA
	2000	60	NA	NA	NA
	2001	58	NA	NA	NA
	2002	58	NA	NA	NA
	2003	55	NA	NA	NA
	2004	50	NA	NA	NA
* Benefits are not based on annual payroll.					
Prosecuting Attorneys' Retirement Fund	1999	202	\$ 12,566	\$ 62,210	(3.5) %
	2000	240	13,422	55,926	(10.1)
	2001	211	13,636	64,624	15.6
	2002	205	14,438	70,427	9.0
	2003	218	13,159	60,360	(14.3)
	2004	214	15,149	70,790	17.3
Excise Police, Conservation Enforcement Officers' Retirement Plan	1999	269	\$ 11,317	\$ 42,071	2.5 %
	2000	261	11,306	43,318	3.0
	2001	255	12,486	48,966	13.0
	2002	254	12,654	49,818	1.7
	2003	254	11,944	47,024	(5.6)
	2004	251	10,209	40,675	(13.5)

2005 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedules of Retirees and Beneficiaries

(Dollars in Thousands—except Average)

System	Year Begin 7-1	Added to Rolls		Removed From Rolls		Rolls – End of Year		% Increase in Annual Allowances+	Average Annual Allowances+
		No.	Annual Allowances+	No.	Annual Allowances+	No.	Annual Allowances+		
Public Employees' Retirement Fund	1998	2,817	\$ 16,859	1,637	\$ 6,002	47,954	\$ 215,084	5.0 %	\$ 4,485
	1999	3,101	18,686	1,750	6,590	49,305	229,846	6.9	4,662
	2000	3,040	19,133	1,576	6,154	50,769	244,320	6.3	4,812
	2001	3,874	23,742	3,551	15,771	51,092	263,010	7.6	5,163
	2002	3,978	31,424	2,114	9,216	52,956	289,667	10.1	5,470
	2003	3,975	34,244	2,577	12,511	54,354	325,711	12.4	5,992
1977 Police Officers' and Firefighters' Pension and Disability Fund	1998*	1,312	\$ 20,911.7	41	\$ 643.9	1,544	\$ 23,811.6	644.3 %	\$ 15,422
	1999	153	2,606.0	51	790.1	1,646	25,710.5	8.0	15,620
	2000	134	2,070.9	63	805.1	1,717	27,729.3	7.9	16,150
	2001	275	4,477.4	126	1,336.5	1,866	31,587.3	13.9	16,928
	2002	90	1,558.4	50	766.7	1,906	34,088.4	7.9	17,885
	2003	65	1,319.5	65	1,215.4	1,906	34,257.5	0.5	17,974
*Indiana statute transferred benefit recipients as of July 1, 1998 from 1925, 1937 & 1953 Funds to this Fund.									
1977 and 1985 Judges' Retirement System	1998	18	\$ 877.8	12	\$ 313.7	221	\$ 7,393.2	5.7 %	\$ 33,454
	1999	16	715.5	8	180.7	229	7,822.1	5.8	34,158
	2000	20	935.8	7	175.0	242	8,484.8	8.5	35,061
	2001	11	424.4	18	838.2	235	8,031.0	(5.3)	34,174
	2002	28	1,385.9	5	166.4	258	9,915.0	23.5	38,430
	2003	8	313.4	4	207.5	262	9,853.7	(0.6)	37,609
Legislators' Defined Benefit Plan	1998	5	\$ 30.5	0	\$ 0.0	34	\$ 225.4	16.6 %	\$ 6,629
	1999	1	2.4	3	17.6	32	211.3	(6.3)	6,603
	2000	5	37.1	2	13.0	35	237.3	12.3	6,779
	2001	0	0.0	1	5.4	34	232.0	(2.2)	6,822
	2002	9	30.5	4	14.3	39	245.7	5.9	6,301
	2003	0	0	0	0	39	245.8	0.0	6,303
Prosecuting Attorneys' Retirement Fund	1998	2	\$ 32.1	0	\$ 0	16	\$ 200.6	19.0 %	\$ 12,540
	1999	1	13.5	0	0	17	220.2	9.8	12,951
	2000	2	16.0	0	0	19	236.1	7.3	12,429
	2001	0	0.0	1	17.1	18	216.2	(8.5)	12,009
	2002	1	30.6	2	21.3	17	225.5	4.3	13,266
	2003	2	38.1	1	7.0	18	256.7	13.8	14,259
Excise Police, Conservation Enforcement Officers' Retirement Plan	1998	3	\$ 51.0	5	\$ 38.3	112	\$ 1,186.0	2.9 %	\$ 10,589
	1999	10	123.6	3	34.5	119	1,294.6	9.2	10,879
	2000	10	223.7	7	66.2	122	1,470.1	13.6	12,050
	2001	7	154.1	1	16.4	128	1,619.3	10.1	12,651
	2002	5	107.6	5	54.2	128	1,672.6	3.3	13,067
	2003	4	116.3	4	58.4	128	1,738.2	3.9	13,580

+ For PERF only, includes employee annuities

